



# COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 437  
LOS ANGELES, CA 90012



**MARK J. SALADINO**

TREASURER AND TAX COLLECTOR

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April 19, 2005

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**RECOMMENDATION TO APPROVE AMENDMENT NUMBER THREE TO AGREEMENT NUMBER 72748 WITH WAUSAU FINANCIAL SYSTEMS, INC. TO EXPAND THE CAPABILITIES OF THE REMITTANCE PROCESSING AND IMAGE ARCHIVE SYSTEM, TO EXTEND THE TERM OF THE AGREEMENT FOR AN ADDITIONAL SIX MONTHS, AND TO ENDORSE TRANSFER OF OWNERSHIP OF WAUSAU FINANCIAL SYSTEMS, INC. TO FRONTENAC COMPANY, INC.**

**(3 VOTES)**

**CIO RECOMMENDATION: ( X ) APPROVE ( ) APPROVE WITH MODIFICATION  
( ) DISAPPROVE**

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve and instruct the Chair to sign the attached Amendment Number Three to Agreement Number 72748 with Wausau Financial Systems, Inc. (WFS), which extends the term of the Agreement, including the maintenance services, for six (6) months through December 5, 2005 and authorizes the Treasurer and Tax Collector (TTC) to enhance the capabilities of the Remittance Processing and Image Archive (Optima 3 IMS) System, with an increase to the total maximum County obligation by \$346,557 over the extended term of the Agreement.
2. Endorse the majority ownership transfer of Wausau Financial Systems, Inc. to the Frontenac Company, Inc. with no impact on contracted services.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On June 6, 2000, your Board approved an agreement with WFS (Agreement) for a Remittance Processing and Image Archive System (System). This System was implemented in August 2000 and currently processes over six (6) million payment transactions per year for various accounts receivable applications including property tax payments. The Remittance Processing component of the System provides an enhanced automated payment process, including daily bank deposits, while the Image Archive component of the System supports the imaging of the

payment transactions and provides a search engine to facilitate the archiving and research associated with the processed transactions.

On two subsequent occasions, the Board approved amendments to the original agreement with WFS, which (1) upgraded the Image Archive (currently Optima 3 IMS) component of the System, including the purchase of additional Optima 3 IMS user licenses to permit the projected expansion of the image management system, providing TTC with a more robust document imaging and management system to better meet TTC's needs; and (2) provided for a hardware and system software upgrade to the Remittance Processing component of the System to accommodate TTC's conversion to the latest supported version of the operating system software.

On February 2, 2005, WFS informed this Department that WFS had been acquired by Frontenac Company, Inc., a Chicago-based private equity investment firm, through a purchase transaction and that this purchase transaction reflected a change in ownership only. WFS will maintain its name, business direction and continue providing the same scope and level of contracted services to TTC for its Remittance Processing and Image Archive System.

The Agreement is due to expire on June 5, 2005. The Department has been satisfied with WFS' performance under the Agreement and the Remittance Processing and Image Archive System provided thereby. Based on WFS' performance under the Agreement, TTC would like to continue receiving maintenance from WFS beyond the expiration date of the Agreement and requires additional time to negotiate a new contract for such maintenance services.

Amendment Number Three to the Agreement will extend the term of the Agreement for six (6) months through December 5, 2005 to allow TTC additional time to negotiate a renewal agreement with WFS for the provision of continuous maintenance, support and professional services for the System. Additionally this Amendment authorizes TTC to make the necessary purchases for enhancement of the Remittance Processing and Image Archive components of the System. Acquisition of enhanced Remittance Processing hardware and software and associated services will (i) allow TTC to automate the processing of certified mail, including the opening, scanning and electronic capturing of images full page documents and various envelope types and sizes, and (ii) allow for the consolidation of the mail extraction and document imaging processes, thus increasing the number of payment transactions and interest earned per year for various accounts receivable applications, while also minimizing the number of temporary personnel required to assist TTC with mail handling during peak workload periods. Acquisition of enhanced Image Archive (Optima 3 IMS) hardware and software and associated services will expand the utilization of the Optima 3 IMS component of the System to store and manage a greater variety and volume of the Department's documents.

#### Implementation of Strategic Goals

The System hardware and software enhancement is in accordance with this Department's approved Business Automation Plan. Implementation of the enhancement will also meet the County's Strategic Plan Goals of Organizational Effectiveness and Service Excellence. The expanded capabilities of the Remittance Processing and Image Archive System will improve TTC's electronic document management, thereby contributing to the County's goal of a paperless environment and continuous collaboration among departments to provide seamless service delivery.

**FISCAL IMPACT/FINANCING**

The maximum amount of this Amendment Number Three is \$346,557, of which \$222,830 is for enhanced hardware and software acquisition and implementation and \$123,727 is for continuing hardware and software maintenance and support services. The Department has funds appropriated in its current budget to cover the maximum amount of the Amendment.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The County's Chief Information Officer concurs with the Department's recommendation (see attached analysis). The attached Amendment Number Three has been reviewed and approved as to form by County Counsel.

The latest County required contract provisions have been added under Amendment Number One to the Agreement.

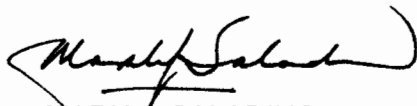
**IMPACT ON CURRENT SERVICES**

The enhanced hardware will be delivered, configured, and tested at the permanent site in the TTC's payment processing center. The enhanced software installation and implementation will take place during off-peak hours between critical processing jobs to mitigate any transition issues and to ensure that enhanced System testing causes minimal or no disruption to TTC's operations. Implementation of the System enhancement will improve TTC's payment processing functions in its endeavor to better serve the public.

**CONCLUSION**

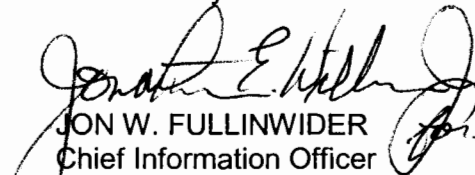
Instruct the Executive Officer/Clerk of the Board to return two (2) signed originals of Amendment Number Three to Agreement Number 72748 and one (1) adopted stamped Board letter to TTC.

Respectfully submitted,

  
MARK J. SALADINO  
Treasurer and Tax Collector

MJS:WMH:  
DHH:dhh

Reviewed by:

  
JON W. FULLINWIDER  
Chief Information Officer

Attachments

c: Auditor-Controller  
Chief Administrative Officer  
Chief Information Officer  
County Counsel

# CIO ANALYSIS

## TREASURER AND TAX COLLECTOR AMENDMENT TO AGREEMENT 72748 WITH WAUSAU FINANCIAL SYSTEMS, INC.

CIO RECOMMENDATION: ☒ APPROVE ☐ APPROVE WITH MODIFICATION  
☐ DISAPPROVE

### Contract Type:

☐ New Contract ☒ Contract Amendment ☐ Contract Extension  
☐ Sole Source Contract

New/Revised Contract Term: Base Term: Yrs # of Option Yrs

### Contract Components:

☒ Software ☒ Hardware ☐ Telecommunications  
☒ Professional Services

Project Executive Sponsor: Anthony Yakimowich, Chief Deputy

### Budget Information :

Y-T-D Contract Amount	\$3,351,322
Requested Contract Amendment Amount	\$ 346,557
Aggregate Contract Amount	\$3,697,879

### Project Background:

Yes	No	Question
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project legislatively mandated?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project subvented? If yes, what percentage is offset?

### Strategic Alignment:

Yes	No	Question
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project in alignment with the County of Los Angeles Strategic Plan?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project consistent with the currently approved Department Business Automation Plan?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Does the project's technology solution comply with County of Los Angeles IT Directions Document?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Does the project technology solution comply with preferred County of Los Angeles IT Standards?

### **Project/Contract Description:**

The Treasurer and Tax Collector (TTC) Remittance Processing and Image Archive System provides automated processing of over six million payment transactions per year for a variety of County accounts receivable applications, including property taxes, as well as document imaging and management of both payment documents and other documents in TTC.

TTC is requesting Board approval of Amendment Number Three to Agreement 72748 with Wausau Financial Systems, Inc. (WFS) for the following actions:

- Extend the term of the Agreement for six months through December 5, 2005;
- Acquire hardware, software and support services required to upgrade the existing remittance processing component of the system;
- Purchase additional Optima 3 Information Management System (IMS) (the document imaging and management system component) hardware, software, and services; and
- Approve the transfer of ownership of Wausau Financial Systems, Inc. to the Frontenac Company, Inc.

### **Background:**

On June 6, 2000, the Board approved an Agreement with WFS for a turnkey Remittance Processing and Image Archive System and continuing hardware and software maintenance and a related software escrow agreement with WFS and DSI Technology Escrow Services. Both agreements were for a term of 60 months. The system was implemented in August 2000 and provides automated payment processing transactions supporting a variety of County accounts receivable applications, including property taxes, as well as providing image capture and retrieval of payment documents in various TTC public service areas.

Your Board has approved to two subsequent amendments to this Agreement. Amendment One supported the upgrade of the Imaging Archive component to the more robust document imaging and management, Optima (IMS). Amendment Two supported the migration of the remittance processing application to the latest version of Microsoft OS - Windows 2003 Server and Windows XP for the client stations. In addition, it allowed TTC to purchase additional licenses for Optima IMS.

### **Project Justification/Benefits:**

This Amendment provides the following benefits:

- Extends the term of the Agreement for six months through December 5, 2005 to allow TTC additional time to negotiate a renewal agreement with WFS for the provision of continuous maintenance, support and professional services for the Remittance Processing and Image Archive System;
- Authorizes TTC to acquire upgraded Remittance Processing hardware and software and associated services to support the processing (opening, scanning and capture of images) of full page documents and various envelope types and sizes including signature mail, thus

improving the Department's receivable processing and minimizes the need for temporary personnel required to assist TTC with mail handling during peak workload periods;

- Enables TTC to acquire additional Optima 3 IMS hardware, software, and services to permit the expansion of image and document management within the Department; and
- Recognizes the transfer of ownership of Wausau Financial Systems, Inc. to the Frontenac Company, Inc., which Department represents that this change in ownership will not negatively impact WFS or its ability to maintain and support its Remittance Processing and Image Archive System.

#### **Project Metrics:**

The TTC has identified specific tasks and deliverables tied to milestone dates for system upgrade. The contract requires 30 consecutive days of operation with no deficiencies following the cutover to production use. Further, it requires performance benchmark verification during the April 2005 tax season. During this period, system response time will be verified under peak load conditions over a two-day period.

#### **Impact If Proposal Is Not Approved:**

The Department's ability to improve its receivable processing as well as ability to access, retrieve, and distribute information within TTC will be constrained if the Board does not improve this amendment.

#### **Alternatives Considered:**

The Department leveraged its existing WFS agreement to obtain this system upgrade. No other alternatives were considered.

#### **Project Risks:**

The project risks are minimal and TTC has taken appropriate steps to mitigate any business or system disruption.

#### **Risk Mitigation Measures:**

Under this Amendment, WFS will purchase and configure system hardware, pretest the remittance process application before full implementation over a weekend in August to mitigate disruptions to TTC's payment processing operation, and maintain the system over the term of the Agreement.

**Financial Analysis:**

TTC has incurred \$3,351,322 year-to-date on their existing agreement with WFS. The maximum contract amount of this Amendment is \$346,557, of which \$222,830 is for system hardware, software and implementation services, and \$123,727 is for extended maintenance and support services through December 5, 2005. The Department has funds appropriated in its current budget to cover the maximum amount of the Amendment.

**CIO Concerns:**

None

**CIO Recommendations:**

The CIO recommends approval of this agreement.

**CIO APPROVAL**

Date Received:

04/07/2005

Prepared by:

Sharon Melony

Date:

04/07/2005

Approved:

Janeth Smith

Date:

04/07/2005

**AMENDMENT NUMBER THREE  
TO  
AGREEMENT FOR REMITTANCE PROCESSING AND  
IMAGE ARCHIVE SYSTEM  
(COUNTY AGREEMENT NUMBER 72748)**

This Amendment Number Three to that certain Agreement Number 72748 for the provision of a Remittance Processing and Image Archive System (hereafter "Remittance Processing & Image Archive") dated June 6, 2000, as amended by Amendment Number One for the provision of an upgrade of the Image Archive component of the System (hereafter "Replacement System Component" or "Optima 3 IMS") dated June 3, 2003 and Amendment Number Two for the provision of an upgrade to the Remittance Processing component of the System (hereafter "System Upgrade") dated November 16, 2004 (hereafter collectively "Agreement"), is entered into this \_\_\_\_\_ day of \_\_\_\_\_ 2005 by and between the County of Los Angeles (hereafter "COUNTY") and Wausau Financial Systems, Inc., a Wisconsin corporation (hereafter "CONTRACTOR" or "Wausau").

**WHEREAS**, Wausau has been acquired by Frontenac Company, Chicago, IL (hereafter "Frontenac"), as of February 2, 2005; and

**WHEREAS**, Paragraph 62 (New Technology) of the Agreement requires CONTRACTOR to apprise COUNTY of new technologies, methodologies and techniques which CONTRACTOR considers to be applicable to the System, and COUNTY desires to expand the mail processing capabilities of the Remittance Processing component of the System and imaging capabilities of the Optima 3 IMS component of the System based on CONTRACTOR notification of new technology; and

**WHEREAS**, the term of the Agreement shall expire on June 5, 2005, and CONTRACTOR and COUNTY require additional time not to exceed six (6) months to negotiate and execute a System maintenance agreement beyond the expiration date of this Agreement; and

**WHEREAS**, CONTRACTOR and COUNTY desire to amend the Agreement to increase the Contract Sum to include (i) the expanded mail processing capabilities of the Remittance Processing component of the System, (ii) the expanded imaging capabilities of the Optima 3 IMS component of the System, and (iii) additional maintenance for the extended six (6) month term; and

**WHEREAS**, Paragraph 6 (Change Notices and Amendments) of the Agreement provides that for any change which affects the scope of work, term, payments or any term or condition included in the Agreement, a negotiated Amendment to the Agreement shall be prepared and executed by COUNTY's Board of Supervisors and CONTRACTOR.

**NOW, THEREFORE**, in consideration of the foregoing and pursuant to Paragraph 6 (Change Notices and Amendments) of the Agreement, COUNTY and CONTRACTOR agree as follows:



1. CONTRACTOR agrees and represents to COUNTY that the acquisition of Wausau by Frontenac constitutes only a change in ownership, and not in name, business direction, or any other information.
2. Paragraph 5 (Term) of the body of the Agreement, is amended to read as follows:

**5. Term:**

The term of this Agreement shall commence on the Effective Date and shall expire sixty-six (66) months thereafter, unless sooner terminated, in whole or in part, as provided in this Agreement.

Notwithstanding any other provisions of the Agreement, the term of the license granted by CONTRACTOR to COUNTY regarding the System Software shall be perpetual.

CONTRACTOR shall notify COUNTY when this Agreement is within two (2) months from the expiration of the term as provided hereinabove. Upon occurrence of this event, CONTRACTOR shall send written notification to COUNTY at the address herein provided in Paragraph 63 (Notices).

3. Subparagraph 7.1 (General) of the body of the Agreement is amended to read as follows:

**7.1 General:**

The Contract Sum under this Agreement shall be the total monetary amount payable by COUNTY to CONTRACTOR for supplying all the tasks, subtasks, deliverables, goods, services and other work requested and specified under this Agreement. All work completed by CONTRACTOR must be approved in writing by COUNTY. If COUNTY does not approve work in writing, no payment shall be due CONTRACTOR for that work.

Unless the Contract Sum is modified pursuant to a duly approved Amendment to this Agreement by COUNTY's Board of Supervisors and CONTRACTOR pursuant to Paragraph 6 (Change Notices and Amendments), the Contract Sum, including all applicable taxes, authorized by COUNTY hereunder shall not exceed the following:

- (i) For Remittance Processing & Image Archive Including System Upgrade:

One Million Six Hundred Seventy-Seven Thousand Four Hundred Ninety-Four Dollars (\$1,677,494); plus up to Seven Hundred Eighty-Nine Thousand Eight Hundred Fifteen Dollars (\$789,815) for maintenance services; plus Two Hundred Thirty-Eight Thousand Nine Hundred Twenty-One Dollars (\$238,921)

for other professional services; plus Forty-One Thousand Seven Hundred Fourteen Dollars (\$41,714) for System Upgrade, Implementation and installation services; for a total amount of up to Two Million Seven Hundred Forty-Seven Thousand Nine Hundred Forty-Four Dollars (\$2,747,944).

(ii) For Optima 3 IMS:

Four Hundred Fifty-Five Thousand Three Hundred Sixty-One Dollars (\$455,361) plus One Hundred Seventy-Two Thousand Eight Hundred Twenty-Three Dollars (\$172,823) for maintenance services plus Three Hundred Twenty One Thousand Seven Hundred Fifty-One Dollars (\$321,751) for other professional services, which shall include, but not be limited to, additional licenses at the fixed price set forth in Attachment B.1 (Schedule of System Hardware and Software - Optima 3 IMS) of Exhibit A.1 (Statement of Work - Optima 3 IMS), for a total amount of Nine Hundred Forty-Nine Thousand Nine Hundred Thirty-Five Dollars (\$949,935).

Notwithstanding any provision of this Subparagraph 7.1, CONTRACTOR shall fully perform and complete all work required of CONTRACTOR by this Agreement in exchange for the amounts to be paid to CONTRACTOR as set forth in this Agreement.

CONTRACTOR shall maintain a system of record keeping that will allow CONTRACTOR to determine when it has incurred seventy-five percent (75%) of the total Contract Sum authorized under this Agreement. Upon occurrence of this event, CONTRACTOR shall send written notification to COUNTY at the address herein provided in Paragraph 63 (Notices).

3. Exhibit B (Schedule of Payments – Remittance Processing & Image Archive) is amended by revising page B-4, attached hereto as Attachment 1 and incorporated herein by reference. Each revised page is designated at the bottom as "Added Under Amendment No. 3 to Agreement."
4. Exhibit B.1 (Schedule of Payments – Optima 3 IMS) is amended by revising page B-3, attached hereto as Attachment 2 and incorporated herein by reference. Each revised page is designated at the bottom as "Added Under Amendment No. 3 to Agreement."
5. Except as provided in this Amendment, all other terms and conditions of the Agreement remain unchanged in full force and effect.

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**IN WITNESS WHEREOF**, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Chair and the seal of such Board to be affixed and attested by the Executive Officer, and CONTRACTOR has caused this Amendment to be subscribed in its behalf by it duly authorized officers, the day, month, and year first above written.

**COUNTY OF LOS ANGELES**

By \_\_\_\_\_  
Chair, Board of Supervisors

**CONTRACTOR**

Wausau Financial Systems, Inc.

By Tom Nohely  
Signature

Tom Nohely  
Print Name

EVP operations  
Title

**ATTEST:**

VIOLET VARONA-LUKENS  
Executive Officer-Clerk  
Of the Board of Supervisors

By: \_\_\_\_\_  
Deputy

**APPROVED AS TO FORM:**

RAYMOND G. FORTNER, Jr.  
COUNTY COUNSEL

by Victoria Mansourian  
Victoria Mansourian  
Senior Associate County Counsel

# ATTACHMENT 1

## EXHIBIT B

### Schedule Of Payments Remittance Processing And Image Archive

Deliverable 18.7	Post Implementation Review Document – System Upgrade	\$0
<b>Deliverable 19 (Key)</b>	<b>Completion and Documentation of Performance Benchmark Verification – System Upgrade</b>	<b>\$16,533</b>
<b>Subtotal (Deliverables 12-19)</b>		<b>\$ <u>68,505</u></b>
<b>V.</b>	<b>IMPLEMENTATION AND INSTALLATION SERVICES – System Upgrade</b>	<b>\$ <u>41,714</u> <sup>(1)</sup></b>
<b>VI.</b>	<b>MAINTENANCE SERVICES – System Upgrade</b>	<b>\$ <u>0</u> <sup>(2)</sup></b>
<b>TOTAL – SYSTEM UPGRADE</b>		<b>\$ <u>110,219</u></b>
<b>VII.</b>	<b>TERM EXTENSION</b>	<b>\$ <u>252,598</u></b>
i.	System Enhancement	\$171,428
ii.	Extended Maintenance	\$ 81,170
<b>GRAND TOTAL – Remittance Processing &amp; Image Archive</b>		<b>\$ <u>2,747,944</u></b>

Note: Key deliverables are so designated

<sup>(1)</sup> Billable upon completion and County's approval of Deliverable 18.3.

<sup>(2)</sup> There is no net increase in maintenance costs for System Upgrade. The increased cost for new system hardware and system software is offset by a corresponding decrease in cost for items being removed. Therefore, the Agreement's allocated funding as delineated in Paragraph 7 (Contract Sum) of the body of the Agreement for maintenance remains unchanged.

## ATTACHMENT 2

### EXHIBIT B.1

Schedule Of Payments  
Optima 3 IMS

II.	Other Professional Services		\$ 34,751
III.	Maintenance Services		\$ 97,266
IV.	System Upgrade		\$320,000
V.	Term Extension		\$ 93,959
	i.	System Enhancement	\$51,402
	ii.	Extended Maintenance	\$42,557
	GRAND TOTAL		\$949,935

Note: Key deliverables are so designated in Bold font.